

AMENDED IN ASSEMBLY APRIL 23, 2009

AMENDED IN ASSEMBLY APRIL 20, 2009

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL

No. 734

Introduced by Assembly Member Hill

February 26, 2009

An act to amend ~~Sections 19604, 19605.7, and 19605.71~~ *Section 19601.4* of the Business and Professions Code, relating to horse racing.

LEGISLATIVE COUNSEL'S DIGEST

AB 734, as amended, Hill. Horse racing: *fair* satellite wagering facilities.

Existing law authorizes a fair, a combination of fairs, or an association conducting racing at a fair, after approval from the California Horse Racing Board, to contribute 1% of the total amount handled daily in conventional and exotic pools for facilities maintenance and improvements at a fair's racetrack inclosure, for those fairs that contribute or those fairs where an association conducting racing at that fair contributes. The money raised is required to be deposited into the Inclosure Facilities Improvement Fund, which is created as a special fund in the State Treasury, and that money is required to be available upon appropriation by the Legislature in the annual Budget Act. Existing law requires the Secretary of Food and Agriculture to appoint a committee to advise on the administration of the funds, and requires the secretary to report any allocations made pursuant to these provisions of existing law, as specified.

This bill would authorize the secretary to make money in the Inclosure Facilities Improvement Fund available to maintain operations at any

fair satellite wagering facility regardless of whether the fair, or the association conducting racing at the fair, contributed to that fund.

~~Existing law authorizes advance deposit wagering to be conducted, with the approval of the California Horse Racing Board. Existing law specifies how the amount received as a market access fee from advance deposit wagers shall be distributed, including the distribution of specified amounts as satellite wagering commissions to each satellite wagering facility and racing association or fair in the zone in which the wager originated, as provided.~~

~~This bill would increase by 1% the percentages that are used to determine the amount to be distributed as satellite wagering commissions.~~

~~Existing law requires that the total percentage deducted from wagers at satellite wagering facilities in the northern zone, and in the central and southern zones, be the same as deductions for wagers at the racetrack where the racing meeting is being conducted and be distributed as specified.~~

~~This bill would instead require that the total percentage deducted from wagers at satellite wagering facilities in the northern zone, and in the central and southern zones, be 1% of the amount handled greater than the percentage deducted from wagers at the racetrack where wagering is being conducted, and be distributed as specified.~~

~~Existing law provides that, for thoroughbred meetings and for harness and certain other race meetings, 2% of the amount handled by the satellite wagering facility shall be distributed to the satellite wagering facility as a commission for the right to do business, as a franchise.~~

~~This bill would increase that percentage to 3%.~~

~~This bill would also make various clarifying and technical changes.~~

~~Vote: majority. Appropriation: no. Fiscal committee: no-yes.
State-mandated local program: no.~~

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 19601.4 of the Business and Professions
- 2 Code is amended to read:
- 3 19601.4. (a) Notwithstanding any other provision of law, a
- 4 fair, combination of fairs, or an association conducting racing at
- 5 a fair, may, after approval from the board, deduct an additional 1
- 6 percent from the total amount handled daily in its conventional
- 7 and exotic pools. The additional 1 percent shall be deposited into

the Inclosure Facilities Improvement Fund, which is hereby created as a special fund in the State Treasury, the moneys of which are available upon appropriation by the Legislature in the annual Budget Act. Any moneys deducted from the handle pursuant to this section shall be used solely for the purpose of facilities maintenance and improvements at a fair's racetrack inclosure for those fairs that contribute to, or for those fairs where an association conducting racing at that fair contributes to, the Inclosure Facilities Improvement Fund *except that the secretary may make money in the Inclosure Facilities Improvement Fund available to maintain operations at any fair satellite wagering facility regardless of whether the fair, or the association conducting racing at the fair, contributed to that fund.*

(b) The secretary shall appoint a committee of not more than five and no fewer than three individuals with expertise in financing, constructing, and managing horse racing facilities, to advise in the administration of the funds. The secretary shall have oversight over the committee. The secretary shall adhere to the same oversight responsibilities as outlined in Section 19620 when administering the funds contributed and disbursed pursuant to this section.

(c) The secretary shall include in the annual expenditure plan required pursuant to Section 19621 any allocations made pursuant to this section.

(d) For purposes of this section, "secretary" means the Secretary of Food and Agriculture.

~~SECTION 1. Section 19604 of the Business and Professions Code is amended to read:~~

~~19604. The board may authorize any racing association, racing fair, betting system, or multijurisdictional wagering hub to conduct advance deposit wagering in accordance with this section. Racing associations, racing fairs, and their respective horsemen's organizations may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.~~

~~(a) As used in this section, the following definitions apply:~~

~~(1) "Advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with an ADW provider, and subsequently issues wagering instructions concerning the funds~~

1 in this account, thereby authorizing the ADW provider holding
2 the account to place wagers on the account owner's behalf.

3 (2) "ADW provider" means a licensee, betting system, or
4 multijurisdictional wagering hub, located within California or
5 outside this state, that is authorized to conduct advance deposit
6 wagering pursuant to this section.

7 (3) "Betting system" means a business conducted exclusively
8 in this state that facilitates parimutuel wagering on races it
9 simulcasts and other races it offers in its wagering menu.

10 (4) "Breed of racing" means as follows:

11 (A) With respect to associations and fairs licensed by the board
12 to conduct thoroughbred, fair, or mixed breed race meetings, "breed
13 of racing" shall mean thoroughbred.

14 (B) With respect to associations licensed by the board to conduct
15 quarter horse race meetings, "breed of racing" shall mean quarter
16 horse.

17 (C) With respect to associations and fairs licensed by the board
18 to conduct standardbred race meetings, "breed of racing" shall
19 mean standardbred.

20 (5) "Contractual compensation" means the amount paid to an
21 ADW provider from advance deposit wagers originating in this
22 state. Contractual compensation includes, but is not limited to, hub
23 fee payments, and may include host fee payments, if any, for
24 out-of-state and out-of-country races. Contractual compensation
25 is subject to the following requirements:

26 (A) Excluding contractual compensation for host fee payments,
27 contractual compensation shall not exceed 6.5 percent of the
28 amount wagered.

29 (B) The host fee payments included within contractual
30 compensation shall not exceed 3.5 percent of the amount wagered.
31 Notwithstanding this provision, the host fee payment with respect
32 to wagers on the Kentucky Derby, Preakness Stakes, Belmont
33 Stakes, and selected Breeders' Cup Championship races may be
34 negotiated by the ADW provider, the racing associations accepting
35 wagers on those races pursuant to Section 19596.2, and the
36 horsemen's organization.

37 (C) In order to ensure fair and consistent market access fee
38 distributions to associations, fairs, horsemen, and breeders, for
39 each breed of racing, the percentage of wagers paid as contractual
40 compensation to an ADW provider pursuant to the terms of a hub

1 ~~agreement with a racing association or fair when that racing~~
2 ~~association or fair is conducting live racing shall be the same as~~
3 ~~the percentage of wagers paid as contractual compensation to that~~
4 ~~ADW provider when that racing association or fair is not~~
5 ~~conducting live racing.~~

6 ~~(6) “Horsemen’s organization” means, with respect to a~~
7 ~~particular racing meeting, the organization recognized by the board~~
8 ~~as responsible for negotiating purse agreements on behalf of~~
9 ~~horsemen participating in that racing meeting.~~

10 ~~(7) “Hub agreement” means a written agreement providing for~~
11 ~~contractual compensation paid with respect to advance deposit~~
12 ~~wagers placed by California residents on a particular breed of~~
13 ~~racing conducted outside of California. In the event a hub~~
14 ~~agreement exceeds a term of two years, then an ADW provider,~~
15 ~~one or more racing associations or fairs that together conduct no~~
16 ~~fewer than five weeks of live racing for the breed covered by the~~
17 ~~hub agreement, and the horsemen’s organization responsible for~~
18 ~~negotiating purse agreements for the breed covered by the hub~~
19 ~~agreement shall be signatories to the hub agreement. A hub~~
20 ~~agreement is required for an ADW provider to receive contractual~~
21 ~~compensation for races conducted outside of California.~~

22 ~~(8) “Hub agreement arbitration” means an arbitration proceeding~~
23 ~~pursuant to which the disputed provisions of the hub agreement~~
24 ~~pertaining to the hub or host fees from wagers on races conducted~~
25 ~~outside of California provided pursuant to paragraph (2) of~~
26 ~~subdivision (b) are determined in accordance with the provisions~~
27 ~~of this paragraph. If a hub agreement arbitration is requested, all~~
28 ~~of the following shall apply:~~

29 ~~(A) The ADW provider shall be permitted to accept advance~~
30 ~~deposit wagers from California residents.~~

31 ~~(B) The contractual compensation received by the ADW~~
32 ~~provider shall be the contractual compensation specified in the~~
33 ~~hub agreement that is the subject of the hub agreement arbitration.~~

34 ~~(C) The difference between the contractual compensation~~
35 ~~specified in subparagraph (B) and the contractual compensation~~
36 ~~determined to be payable at the conclusion of the hub agreement~~
37 ~~arbitration shall be calculated and paid within 15 days following~~
38 ~~the arbitrator’s decision and order. The hub agreement arbitration~~
39 ~~shall be held as promptly as possible, but in no event more than~~
40 ~~60 days following the demand for that arbitration. The arbitrator~~

1 shall issue a decision no later than 15 days following the conclusion
2 of the arbitration. A single arbitrator jointly selected by the ADW
3 provider and the party requesting a hub agreement arbitration shall
4 conduct the hub agreement arbitration. However, if the parties
5 cannot agree on the arbitrator within seven days of issuance of the
6 written demand for arbitration, then the arbitrator shall be selected
7 pursuant to the Streamlined Arbitration Rules and Procedures of
8 the Judicial Arbitration and Mediation Services, or pursuant to the
9 applicable rules of its successor organization. In making the hub
10 agreement arbitration determination, the arbitrator shall be required
11 to choose between the contractual compensation of the hub
12 agreement agreed to by the ADW provider or whatever different
13 terms for the hub agreement were proposed by the party requesting
14 the hub agreement arbitration. The arbitrator shall not be permitted
15 to impose new, different, or compromised terms to the hub
16 agreement. The arbitrator's decision shall be final and binding on
17 the parties. If an arbitration is requested, either party may bring
18 an action in state court to compel a party to go into arbitration or
19 to enforce the decision of the arbitrator. The cost of the hub
20 agreement arbitration, including the cost of the arbitrator, shall be
21 borne in equal shares by the parties to the hub agreement and the
22 party or parties requesting a hub agreement arbitration. The hub
23 agreement arbitration shall be administered by the Judicial
24 Arbitration and Mediation Services pursuant to its Streamlined
25 Arbitration Rules and Procedures or its successor organization.

26 (9) "Incentive awards" means those payments provided for in
27 Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The
28 amount determined to be payable for incentive awards under this
29 section shall be payable to the applicable official registering agency
30 and thereafter distributed as provided in this chapter.

31 (10) "Licensee" means any racing association or fair licensed
32 to conduct a live racing meet in this state, or affiliation thereof,
33 authorized under this section.

34 (11) "Market access fee" means the amount of advance deposit
35 wagering handle remaining after the payment of winning wagers,
36 and after the payment of contractual compensation, if any, to an
37 ADW provider. Market access fees shall be distributed in
38 accordance with subdivision (f).

39 (12) "Multijurisdictional wagering hub" means a business
40 conducted in more than one jurisdiction that facilitates parimutuel

~~wagering on races it simulcasts and other races it offers in its
wagering menu.~~

~~(13) "Racing fair" means a fair authorized by the board to
conduct live racing.~~

~~(14) "Zone" means the zone of the state, as defined in Section
19530.5, except as modified by the provisions of subdivision (f)
of Section 19601. For these purposes, the central and southern
zones shall together be considered one zone.~~

~~(b) Wagers shall be accepted according to the procedures set
forth in this subdivision.~~

~~(1) No ADW provider shall accept wagers or wagering
instructions on races conducted in California from a resident of
California unless all of the following conditions are met:~~

~~(A) The ADW provider is licensed by the board.~~

~~(B) A written agreement allowing those wagers exists with the
racing association or fair conducting the races on which the wagers
are made.~~

~~(C) The agreement referenced in subparagraph (B) shall have
been approved in writing by the horsemen's organization
responsible for negotiating purse agreements for the breed on
which the wagers are made in accordance with the Interstate
Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the
location of the ADW provider, whether in California or otherwise,
including, without limitation, any and all requirements contained
therein with respect to written consents and required written
agreements of horsemen's groups to the terms and conditions of
the acceptance of those wagers and any arrangements as to the
exclusivity between the host racing association or fair and the
ADW provider. For purposes of this subdivision, the substantive
provisions of the Interstate Horseracing Act shall be taken into
account without regard to whether, by its own terms, that act is
applicable to advance deposit wagering on races conducted in
California accepted from residents of California.~~

~~(2) No ADW provider shall accept wagers or wagering
instructions on races conducted outside of California from a
resident of California unless all of the following conditions are
met:~~

~~(A) The ADW provider is licensed by the board.~~

~~(B) There is a hub agreement between the ADW provider and
one or both of (i) one or more racing associations or fairs that~~

1 together conduct no fewer than five weeks of live racing on the
2 breed on which wagering is conducted during the calendar year
3 during which the wager is placed, and (ii) the horsemen's
4 organization responsible for negotiating purse agreements for the
5 breed on which wagering is conducted.

6 (C) If the parties referenced in clauses (i) and (ii) of
7 subparagraph (B) are both signatories to the hub agreement, then
8 no party shall have the right to request a hub agreement arbitration.

9 (D) If only the party or parties referenced in clause (i) of
10 subparagraph (B) is a signatory to the hub agreement, then the
11 signatories to the hub agreement shall, within five days of
12 execution of the hub agreement, provide a copy of the hub
13 agreement to the horsemen's organization responsible for
14 negotiating purse agreements for the breed on which wagering is
15 conducted for each race conducted outside of California on which
16 California residents may place advance deposit wagers. Prior to
17 receipt of the hub agreement, the horsemen's organization shall
18 sign a nondisclosure agreement with the ADW provider agreeing
19 to hold confidential all terms of the hub agreement. If the
20 horsemen's organization wants to request a hub agreement
21 arbitration, it shall send written notice of its election to the
22 signatories to the hub agreement within 10 days after receipt of
23 the copy of the hub agreement, and shall provide its alternate
24 proposal to the hub and host fees specified in the hub agreement
25 with that written notice. If the horsemen's organization does not
26 provide that written notice within the 10-day period, then no party
27 shall have the right to request a hub agreement arbitration. If the
28 horsemen's organization does provide that written notice within
29 the 10-day period, then the ADW provider shall have 10 days to
30 elect in writing to do one of the following:

31 (i) Abandon the hub agreement.

32 (ii) Accept the alternate proposal submitted by the horsemen's
33 organization.

34 (iii) Proceed with a hub agreement arbitration.

35 (E) If only the party referenced in clause (ii) of subparagraph
36 (B) is a signatory to the hub agreement, then the signatories to the
37 hub agreement shall, within five days of execution of the hub
38 agreement, provide written notice of the host and hub fees
39 applicable pursuant to the hub agreement for each race conducted
40 outside of California on which California residents may place

~~advance deposit wagers, which notice shall be provided to all racing associations and fairs conducting live racing of the same breed covered by the hub agreement. If any racing association or fair wants to request a hub agreement arbitration, it shall send written notice of its election to the signatories to the hub agreement within 10 days after receipt of the notice of host and hub fees. It shall also provide its alternate proposal to the hub and host fees specified in the hub agreement with the notice of its election. If more than one racing association or fair provides notice of their request for hub agreement arbitration, those racing associations or fairs, or both, shall have a period of five days to jointly agree upon which of their alternate proposals shall be the official proposal for purposes of the hub agreement arbitration. If one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wager is placed does not provide written notice of their election to arbitrate within the 10-day period, then no party shall have the right to request a hub agreement arbitration. If a valid hub agreement arbitration request is made, then the ADW provider shall have 10 days to elect in writing to do one of the following:~~

~~(i) Abandon the hub agreement.~~
~~(ii) Accept the alternate proposal submitted by the racing associations or fairs.~~

~~(iii) Proceed with a hub agreement arbitration.~~

~~The results of any hub agreement arbitration elected pursuant to this subdivision shall be binding on all other associations and fairs conducting live racing on that breed.~~

~~(F) The acceptance thereof is in compliance with the provisions of the Interstate Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the location of the ADW provider, whether in California or otherwise, including, without limitation, any and all requirements contained therein with respect to written consents and required written agreements of horsemen's groups to the terms and conditions of the acceptance of such wagers and any arrangements as to the exclusivity between the host racing association or fair and the ADW provider.~~

~~(e) An advance deposit wager may be made only by the ADW provider holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call~~

1 or through other electronic media. The ADW provider shall ensure
2 the identification of the account's owner by using methods and
3 technologies approved by the board. Any ADW provider that
4 accepts wagering instructions concerning races conducted in
5 California, or accepts wagering instructions originating in
6 California, shall provide a full accounting and verification of the
7 source of the wagers thereby made, including the postal ZIP Code
8 and breed of the source of the wagers, in the form of a daily
9 download of parimutuel data to a database designated by the board.
10 The daily download shall be delivered in a timely basis using file
11 formats specified by the database designated by the board, and
12 shall include any and all data necessary to calculate and distribute
13 moneys according to the rules and regulations governing California
14 parimutuel wagering. Any and all reasonable costs associated with
15 the creation, provision, and transfer of this data shall be borne by
16 the ADW provider.

17 (d) (1) (A) The board shall develop and adopt rules to license
18 and regulate all phases of operation of advance deposit wagering
19 for ADW providers operating in California.

20 (B) The board shall not approve an application for an original
21 or renewal license as an ADW provider unless the entity, if
22 requested in writing by a bona fide labor organization no later than
23 90 days prior to licensing, has entered into a contractual agreement
24 with that labor organization that provides all of the following:

25 (i) The labor organization has historically represented employees
26 who accept or process any form of wagering at the nearest horse
27 racing meeting located in California.

28 (ii) The agreement establishes the method by which the ADW
29 provider will agree to recognize and bargain in good faith with a
30 labor organization which has demonstrated majority status by
31 submitting authorization cards signed by those employees who
32 accept or process any form of wagering for which a California
33 advance deposit wagering license is required.

34 (iii) The agreement requires the ADW provider to maintain its
35 neutrality concerning the choice of those employees who accept
36 or process any form of wagering for which a California advance
37 deposit wagering license is required whether or not to authorize
38 the labor organization to represent them with regard to wages,
39 hours, and other the terms and conditions of employment.

1 ~~(iv) The agreement applies to those classifications of employees~~
2 ~~who accept or process wagers for which a California advance~~
3 ~~deposit wagering license is required whether the facility is located~~
4 ~~within or outside of California.~~

5 ~~(C) (i) The agreement required by subparagraph (B) shall not~~
6 ~~be conditioned by either party upon the other party agreeing to~~
7 ~~matters outside the requirements of subparagraph (B).~~

8 ~~(ii) The requirement in subparagraph (B) shall not apply to an~~
9 ~~ADW provider which has entered into a collective bargaining~~
10 ~~agreement with a bona fide labor organization that is the exclusive~~
11 ~~bargaining representative of employees who accept or process~~
12 ~~parimutuel wagers on races for which an advance deposit wagering~~
13 ~~license is required whether the facility is located within or outside~~
14 ~~of California.~~

15 ~~(D) Permanent state or county employees and nonprofit~~
16 ~~organizations that have historically performed certain services at~~
17 ~~county, state, or district fairs may continue to provide those~~
18 ~~services.~~

19 ~~(E) Parimutuel clerks employed by racing associations or fairs~~
20 ~~or employees of ADW providers who accept or process any form~~
21 ~~of wagers who are laid off due to lack of work shall have~~
22 ~~preferential hiring rights for new positions with their employer in~~
23 ~~occupations whose duties include accepting or processing any~~
24 ~~form of wagers, or the operation, repair, service, or maintenance~~
25 ~~of equipment that accepts or processes any form of wagering at a~~
26 ~~racetrack, satellite wagering facility, or ADW provider licensed~~
27 ~~by the board. The preferential hiring rights established by this~~
28 ~~subdivision shall be conditioned upon the employee meeting the~~
29 ~~minimum qualification requirements of the new job.~~

30 ~~(2) The board shall develop and adopt rules and regulations~~
31 ~~requiring ADW providers to establish security access policies and~~
32 ~~safeguards, including, but not limited to, the following:~~

33 ~~(A) The ADW provider shall use board-approved methods to~~
34 ~~perform location and age verification confirmation with respect~~
35 ~~to persons establishing an advance deposit wagering account.~~

36 ~~(B) The ADW provider shall use personal identification numbers~~
37 ~~(PINs) or other technologies to assure that only the accountholder~~
38 ~~has access to the advance deposit wagering account.~~

39 ~~(C) The ADW provider shall provide for withdrawals from the~~
40 ~~wagering account only by means of a check made payable to the~~

1 accountholder and sent to the address of the accountholder or by
2 means of an electronic transfer to an account held by the verified
3 accountholder or the accountholder may withdraw funds from the
4 wagering account at a facility approved by the board by presenting
5 verifiable account identification information.

6 ~~(D) The ADW provider shall allow the board access to its~~
7 ~~premises to visit, investigate, audit, and place expert accountants~~
8 ~~and other persons it deems necessary for the purpose of ensuring~~
9 ~~that its rules and regulations concerning credit authorization,~~
10 ~~account access, and other security provisions are strictly complied~~
11 ~~with. To ensure that the amounts retained from the parimutuel~~
12 ~~handle are distributed under law, rules, or agreements, any ADW~~
13 ~~provider that accepts wagering instructions concerning races~~
14 ~~conducted in California or accepts wagering instructions originating~~
15 ~~in California shall provide an independent “agreed upon~~
16 ~~procedures” audit for each California racing meeting, within 60~~
17 ~~days of the conclusion of the race meeting. The auditing firm to~~
18 ~~be used and the content and scope of the audit, including host fee~~
19 ~~obligations, shall be set forth in the applicable agreement. The~~
20 ~~ADW provider shall provide the board, horsemen’s organizations,~~
21 ~~and the host racing association with an annual parimutuel audit of~~
22 ~~the financial transactions of the ADW provider with respect to~~
23 ~~wagers authorized pursuant to this section, prepared in accordance~~
24 ~~with generally accepted auditing standards and the requirements~~
25 ~~of the board. Any and all reasonable costs associated with those~~
26 ~~audits shall be borne by the ADW provider.~~

27 ~~(3) The board shall prohibit advance deposit wagering~~
28 ~~advertising that it determines to be deceptive to the public. The~~
29 ~~board shall also require, by regulation, that every form of~~
30 ~~advertising contain a statement that minors are not allowed to open~~
31 ~~or have access to advance deposit wagering accounts.~~

32 ~~(e) In order for a licensee, betting system, or multijurisdictional~~
33 ~~wagering hub to be approved by the board as an ADW provider,~~
34 ~~it shall meet both of the following requirements:~~

35 ~~(1) All wagers thereby made shall be included in the appropriate~~
36 ~~parimutuel pool under a contractual agreement with the applicable~~
37 ~~host track.~~

38 ~~(2) The amounts deducted from advance deposit wagers shall~~
39 ~~be in accordance with the provisions of this chapter.~~

1 (f) After the payment of contractual compensation, the amounts
2 received as market access fees from advance deposit wagers, which
3 shall not be considered for purposes of Section 19616.51, shall be
4 distributed as follows:

5 (1) An amount equal to 0.0011 multiplied by the amount handled
6 on advance deposit wagers originating in California for each racing
7 meeting shall be distributed to the Center for Equine Health to
8 establish the Kenneth L. Maddy Fund for the benefit of the School
9 of Veterinary Medicine at the University of California at Davis.

10 (2) An amount equal to 0.0003 multiplied by the amount handled
11 on advance deposit wagers originating in California for each racing
12 meeting shall be distributed to the Department of Industrial
13 Relations to cover costs associated with audits conducted pursuant
14 to Section 19526 and for the purposes of reimbursing the State
15 Mediation and Conciliation Service for costs incurred pursuant to
16 this section. However, if that amount would exceed the costs of
17 the Department of Industrial Relations, the amount distributed to
18 the department shall be reduced, and that reduction shall be
19 forwarded to an organization designated by the racing association
20 or fair described in subdivision (a) for the purpose of augmenting
21 a compulsive gambling prevention program specifically addressing
22 that problem.

23 (3) An amount equal to 0.00165 multiplied by the amount
24 handled on advance deposit wagers that originate in California for
25 each racing meeting shall be distributed as follows:

26 (A) One-half of the amount shall be distributed to supplement
27 the trainer-administered pension plans for backstretch personnel
28 established pursuant to Section 19613. Moneys distributed pursuant
29 to this subparagraph shall supplement, and not supplant, moneys
30 distributed to that fund pursuant to Section 19613 or any other
31 provision of law.

32 (B) One-half of the amount shall be distributed to the welfare
33 fund established for the benefit of horsemen and backstretch
34 personnel pursuant to subdivision (b) of Section 19641. Moneys
35 distributed pursuant to this subparagraph shall supplement, and
36 not supplant, moneys distributed to that fund pursuant to Section
37 19641 or any other provision of law.

38 (4) With respect to wagers on each breed of racing that originate
39 in California, an amount equal to 3 percent of the first two hundred
40 fifty million dollars (\$250,000,000) of handle from all advance

~~1 deposit wagers originating from within California annually, an
2 amount equal to 2.5 percent of the next two hundred fifty million
3 dollars (\$250,000,000) of handle from all advance deposit wagers
4 originating from within California annually, an amount equal to
5 2 percent of the next two hundred fifty million dollars
6 (\$250,000,000) of handle from all advance deposit wagers
7 originating from within California annually, and an amount equal
8 to 1.5 percent of handle from all advance deposit wagers
9 originating from within California in excess of seven hundred fifty
10 million dollars (\$750,000,000) annually shall be distributed as
11 satellite wagering commissions. Satellite facilities that were not
12 operational in 2001, other than one each in the cities of Inglewood
13 and San Mateo, and two additional facilities each operated by the
14 Alameda County Fair and the Los Angeles County Fair and their
15 partners and other than existing facilities which are relocated, are
16 not eligible for satellite wagering commission distributions under
17 this section. The satellite wagering facility commissions calculated
18 in accordance with this subdivision shall be distributed to each
19 satellite wagering facility and racing association or fair in the zone
20 in which the wager originated in the same relative proportions that
21 the satellite wagering facility or the racing association or fair
22 generated satellite commissions during the previous calendar year.
23 If there is a reduction in the satellite wagering commissions
24 pursuant to this section, the benefits therefrom shall be distributed
25 equitably as purses and commissions to all associations and racing
26 fairs generating advance deposit wagers in proportion to the handle
27 generated by those associations and racing fairs. For purposes of
28 this section, the purse funds distributed pursuant to Section
29 19605.72 shall be considered to be satellite wagering facility
30 commissions attributable to thoroughbred races at the locations
31 described in that section.~~

~~32 (5) After the distribution of the amounts set forth in paragraphs
33 (1) to (4), inclusive, the remaining market access fees from advance
34 deposit wagers originating in California shall be as follows:~~

~~35 (A) With respect to wagers on each breed of racing, the amount
36 remaining shall be distributed to the racing association or fair that
37 is conducting live racing on that breed during the calendar period
38 in the zone in which the wager originated. That amount shall be
39 allocated to that racing association or fair as commissions, to
40 horsemen participating in that racing meeting in the form of purses,~~

1 and as incentive awards, in the same relative proportion as they
2 were generated or earned during the prior calendar year at that
3 racing association or fair on races conducted or imported by that
4 racing association or fair after making all deductions required by
5 applicable law. Notwithstanding any other provision of law, the
6 distributions with respect to each breed of racing set forth in this
7 subparagraph may be altered upon the approval of the board, in
8 accordance with an agreement signed by the respective
9 associations, fairs, horsemen's organizations, and breeders
10 organizations receiving those distributions.

11 (B) If the provisions of Section 19601.2 apply, then the amount
12 distributed to the applicable racing associations or fairs shall first
13 be divided between those racing associations or fairs in direct
14 proportion to the total amount wagered in the applicable zone on
15 the live races conducted by the respective association or fair.
16 Notwithstanding this requirement, when the provisions of
17 subdivision (b) of Section 19607.5 apply to the 2nd District
18 Agricultural Association in Stockton or the California Exposition
19 and State Fair in Sacramento, then the total amount distributed to
20 the applicable racing associations or fairs shall first be divided
21 equally, with 50 percent distributed to applicable fairs and 50
22 percent distributed to applicable associations.

23 (C) Notwithstanding any provisions of this section to the
24 contrary, with respect to wagers on out-of-state and out-of-country
25 thoroughbred races conducted after 6 p.m., Pacific time, 50 percent
26 of the amount remaining shall be distributed as commissions to
27 thoroughbred associations and racing fairs, as thoroughbred and
28 fair purses, and as incentive awards in accordance with
29 subparagraph (A), and the remaining 50 percent, together with the
30 total amount remaining from advance deposit wagering originating
31 from California out-of-state and out-of-country harness and quarter
32 horse races conducted after 6 p.m., Pacific time, shall be distributed
33 as commissions on a pro rata basis to the applicable licensed
34 quarter horse association and the applicable licensed harness
35 association, based upon the amount handled in state, both on- and
36 off-track, on each breed's own live races in the previous year by
37 that association, or its predecessor association. One-half of the
38 amount thereby received by each association shall be retained by
39 that association as a commission, and the other half of the money

1 received shall be distributed as purses to the horsemen participating
2 in its current or next scheduled licensed racing meeting.

3 ~~(D) Notwithstanding any provisions of this section to the~~
4 ~~contrary, with respect to wagers on out-of-state and out-of-country~~
5 ~~nonthoroughbred races conducted before 6 p.m., Pacific time, 50~~
6 ~~percent of the amount remaining shall be distributed as~~
7 ~~commissions as provided in subparagraph (C) for licensed quarter~~
8 ~~horse and harness associations, and the remaining 50 percent shall~~
9 ~~be distributed as commissions to the applicable thoroughbred~~
10 ~~associations or fairs, as thoroughbred and fair purses, and as~~
11 ~~incentive awards in accordance with subparagraph (A).~~

12 ~~(E) Notwithstanding any provision of this section to the contrary,~~
13 ~~the distribution of market access fees pursuant to this subparagraph~~
14 ~~may be altered upon the approval of the board, in accordance with~~
15 ~~an agreement signed by all parties whose distributions would be~~
16 ~~affected.~~

17 ~~(g) A racing association, a fair, or a satellite wagering facility~~
18 ~~may enter into an agreement with an ADW provider to accept and~~
19 ~~facilitate the placement of any wager from a patron at its facility~~
20 ~~that a California resident could make through that ADW provider.~~
21 ~~Deductions from wagers made pursuant to such an agreement shall~~
22 ~~be distributed in accordance with the provisions of this chapter~~
23 ~~governing wagers placed at that facility, except that the board may~~
24 ~~authorize alternative distributions as agreed to by the ADW~~
25 ~~provider, the operator of the facility accepting the wager, the~~
26 ~~association or fair conducting that breed of racing in the zone~~
27 ~~where the wager is placed, and the respective horsemen's~~
28 ~~organization.~~

29 ~~(h) Any issues concerning the interpretation or application of~~
30 ~~this section shall be resolved by the board.~~

31 ~~(i) Amounts distributed under this section shall be proportionally~~
32 ~~reduced by an amount equal to 0.00295 multiplied by the amount~~
33 ~~handled on advanced deposit wagers originating in California for~~
34 ~~each racing meeting, and shall not exceed two million dollars~~
35 ~~(\$2,000,000). The method used to calculate the reduction in~~
36 ~~proportionate share shall be approved by the board. The amount~~
37 ~~deducted shall be distributed as follows:~~

38 ~~(1) Fifty percent of the money to the California Horse Racing~~
39 ~~Board to establish and to administer jointly with the organization~~
40 ~~certified as the majority representative of California licensed~~

1 jockeys pursuant to Section 19612.9, a defined contribution
2 retirement plan for California licensed jockeys who retired from
3 racing on or after January 1, 2009, and who, as of the date of their
4 retirement, had ridden in a minimum of 1,250 parimutuel races
5 conducted in California.

6 (2) The remaining 50 percent of the money shall be distributed
7 as follows:

8 (A) Seventy percent shall be distributed to supplement the
9 trainer-administered pension plans for backstretch personnel
10 established pursuant to Section 19613. Moneys distributed pursuant
11 to this subparagraph shall supplement, and not supplant, moneys
12 distributed to that fund pursuant to Section 19613 or any other
13 provision of law.

14 (B) Thirty percent shall be distributed to the welfare fund
15 established for the benefit of horsemen and backstretch personnel
16 pursuant to subdivision (b) of Section 19641. Moneys distributed
17 pursuant to this subparagraph shall supplement, and not supplant,
18 moneys distributed to that fund pursuant to Section 19641 or any
19 other provision of law.

20 SEC. 2. Section 19605.7 of the Business and Professions Code
21 is amended to read:

22 19605.7. The total percentage deducted from wagers at satellite
23 wagering facilities in the northern zone shall be 1 percent of the
24 amount handled greater than the percentage deducted from wagers
25 at the racetrack where wagering is being conducted, and shall be
26 distributed as set forth in this section. Amounts deducted under
27 this section shall be distributed as follows:

28 (a) For thoroughbred meetings, 1.3 percent of the amount
29 handled by the satellite wagering facility on conventional and
30 exotic wagers shall be distributed to the racing association for
31 payment to the state as a license fee, 3 percent shall be distributed
32 to the satellite wagering facility as a commission for the right to
33 do business, as a franchise, and this commission is not for the use
34 of any real property, 2.5 percent or the amount of actual operating
35 expenses, as determined by the board, whichever is less, shall be
36 distributed to an organization described in Section 19608.2, 0.54
37 percent shall be deposited with the official registering agency
38 pursuant to subdivision (a) of Section 19617.2 and shall thereafter
39 be distributed in accordance with subdivisions (b), (c) and (d) of
40 Section 19617.2, 0.033 percent shall be distributed to the Center

1 for Equine Health, and 0.067 percent shall be distributed to the
2 California Animal Health and Food Safety Laboratory, School of
3 Veterinary Medicine, University of California at Davis. It is the
4 intent of the Legislature that the 0.033 percent of funds distributed
5 to the Center for Equine Health shall supplement, and not supplant,
6 other funding sources.

7 (b) For harness, quarter horse, Appaloosa, Arabian, or mixed
8 breed meetings, 0.4 percent of the amount handled by the satellite
9 wagering facility on conventional and exotic wagers shall be
10 distributed to the racing association for payment to the state as a
11 license fee, for fair meetings, 1 percent of the amount handled by
12 the satellite wagering facility on conventional and exotic wagers
13 shall be distributed to the fair association for payment to the state
14 as a license fee, 3 percent shall be distributed to the satellite
15 wagering facility as a commission for the right to do business, as
16 a franchise, and this commission is not for the use of any real
17 property, and 6 percent of the amount handled by the satellite
18 wagering facility or the amount of actual operating expenses, as
19 determined by the board, whichever is less, shall be distributed to
20 an organization described in Section 19608.2. In addition, in the
21 case of quarter horses, 0.4 percent shall be deposited with the
22 official registering agency pursuant to subdivision (b) of Section
23 19617.7 and shall thereafter be distributed in accordance with
24 subdivisions (c), (d), and (e) of Section 19617.7; in the case of
25 Appaloosas, 0.4 percent shall be deposited with the official
26 registering agency pursuant to subdivision (b) of Section 19617.9
27 and shall thereafter be distributed in accordance with subdivisions
28 (c), (d), and (e) of Section 19617.9; in the case of Arabians, 0.4
29 percent shall be held by the association to be deposited with the
30 official registering agency pursuant to Section 19617.8, and shall
31 thereafter be distributed in accordance with Section 19617.8; in
32 the case of standardbreds, 0.4 percent shall be distributed for the
33 California Standardbred Sires Stakes Program pursuant to Section
34 19619; in the case of thoroughbreds, 0.48 percent shall be deposited
35 with the official registering agency pursuant to subdivision (a) of
36 Section 19617.2 and shall thereafter be distributed in accordance
37 with subdivisions (b), (c), and (d) of Section 19617.2; 0.033 percent
38 shall be distributed to the Center for Equine Health; and 0.067
39 percent shall be distributed to the California Animal Health and
40 Food Safety Laboratory, School of Veterinary Medicine, University

1 of California at Davis. It is the intent of the Legislature that the
2 0.033 percent of funds distributed to the Center for Equine Health
3 shall supplement, and not supplant, other funding sources.

4 (c) In addition to the distributions specified in subdivision (a)
5 and (b), for mixed breed meetings, 1 percent of the total amount
6 handled by each satellite wagering facility shall be distributed to
7 an organization described in Section 19608.2 for promotion of the
8 program at satellite wagering facilities. For harness meetings, 0.5
9 percent of the total amount handled by each satellite wagering
10 facility shall be distributed to an organization described in Section
11 19608.2 for the promotion of the program at satellite wagering
12 facilities, and 0.5 percent of the total amount handled by each
13 satellite wagering facility shall be distributed according to a written
14 agreement for each race meeting between the licensed racing
15 association and the organization representing the horsemen
16 participating in the meeting. If, with respect to harness meetings,
17 there are funds unexpended from this 1 percent, these funds may
18 be expended for other purposes with the consent of the horsemen
19 and the racing association to benefit the horsemen, or the racing
20 association, or both, pursuant to their agreement. For quarter horse
21 meetings, 0.5 percent of the total amount handled by each satellite
22 wagering facility on races run in California shall be distributed to
23 an organization described in Section 19608.2 for the promotion
24 of the program at satellite wagering facilities, 0.5 percent of the
25 total amount handled by each satellite wagering facility on
26 out-of-state and out-of-country imported races shall be distributed
27 to the official quarter horse registering agency for the purposes of
28 Section 19617.75, and 0.5 percent of the total amount handled by
29 each satellite wagering facility on all races shall be distributed
30 according to a written agreement for each race meeting between
31 the licensed racing association and the organization representing
32 the horsemen participating in the meeting.

33 (d) Additionally, for thoroughbred, harness, quarter horse, mixed
34 breed, and fair meetings, 0.33 percent of the total amount handled
35 by each satellite wagering facility shall be paid to the city or county
36 in which the satellite wagering facility is located pursuant to
37 Section 19610.3 or 19610.4.

38 (e) Notwithstanding any other provision of law, a racing
39 association is responsible for the payment of the state license fee
40 as required by this section.

1 ~~SEC. 3. Section 19605.71 of the Business and Professions~~
2 ~~Code is amended to read:~~

3 ~~19605.71. The total percentage deducted from wagers at~~
4 ~~satellite wagering facilities in the central and southern zone shall~~
5 ~~be 1 percent of the amount handled greater than the percentage~~
6 ~~deducted from wagers at the racetrack where wagering is being~~
7 ~~conducted, and shall be distributed as set forth in this section.~~
8 ~~Amounts deducted under this section shall be distributed as~~
9 ~~follows:~~

10 ~~(a) For thoroughbred meetings, 2 percent of the amount handled~~
11 ~~by the satellite wagering facility on conventional and exotic wagers~~
12 ~~shall be distributed to the racing association for payment to the~~
13 ~~state as a license fee, 3 percent shall be distributed to the satellite~~
14 ~~wagering facility as a commission for the right to do business, as~~
15 ~~a franchise, and this commission is not for the use of any real~~
16 ~~property, 2.5 percent or the amount of actual operating expenses,~~
17 ~~as determined by the board, whichever is less, shall be distributed~~
18 ~~to an organization described in Section 19608.2, 0.54 percent shall~~
19 ~~be deposited with the official registering agency pursuant to~~
20 ~~subdivision (a) of Section 19617.2 and shall thereafter be~~
21 ~~distributed in accordance with subdivisions (b), (c), and (d) of~~
22 ~~Section 19617.2, 0.033 percent shall be distributed to the Center~~
23 ~~for Equine Health, and 0.067 percent shall be distributed to the~~
24 ~~California Animal Health and Food Safety Laboratory, School of~~
25 ~~Veterinary Medicine, University of California at Davis. It is the~~
26 ~~intent of the Legislature that the 0.033 percent of funds distributed~~
27 ~~to the Center for Equine Health shall supplement, and not supplant,~~
28 ~~other funding sources.~~

29 ~~(b) For harness, quarter horse, Appaloosa, Arabian, or mixed~~
30 ~~breed meetings, 0.4 percent of the amount handled by the satellite~~
31 ~~wagering facility on conventional and exotic wagers shall be~~
32 ~~distributed to the racing association for payment to the state as a~~
33 ~~license fee, for fair meetings, 1 percent of the amount handled by~~
34 ~~the satellite wagering facility on conventional and exotic wagers~~
35 ~~shall be distributed to the racing association for payment to the~~
36 ~~state as a license fee, 3 percent shall be distributed to the satellite~~
37 ~~wagering facility as a commission for the right to do business, as~~
38 ~~a franchise, and this commission is not for the use of any real~~
39 ~~property, and 6 percent of the amount handled by the satellite~~
40 ~~wagering facility or the amount of actual operating expenses, as~~

determined by the board, whichever is less, shall be distributed to an organization described in Section 19608.2. In addition, in the case of quarter horses, 0.4 percent shall be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.7 and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.7; in the case of Appaloosas, 0.4 percent shall be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.9 and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.9; in the case of Arabians, 0.4 percent shall be held by the association to be deposited with the official registering agency, pursuant to Section 19617.8, and thereafter shall be distributed in accordance with Section 19617.8; in the case of standardbreds, 0.4 percent shall be distributed for the California Standardbred Sires Stakes Program pursuant to Section 19619; in the case of thoroughbreds, 0.48 percent shall be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2 and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2; 0.033 percent shall be distributed to the Center for Equine Health; and 0.067 percent shall be distributed to the California Animal Health and Food Safety Laboratory, School of Veterinary Medicine, University of California at Davis. It is the intent of the Legislature that the 0.033 percent of funds distributed to the Center for Equine Health shall supplement, and not supplant, other funding sources.

(e) In addition, for Appaloosa and mixed breed meetings, 1 percent shall be distributed to an organization described in Section 19608.2 for promotion of the program at satellite wagering facilities. Notwithstanding any other provision of law, on wagers made in the Counties of Orange and Los Angeles on thoroughbred races conducted in the County of Orange or Los Angeles, or both, excluding the 50th District Agricultural Association, the amount deducted for promotion of the satellite wagering program at satellite wagering facilities shall be 0.5 percent. Any of the promotion funds that are not distributed in the year in which they are collected may be distributed in the following year. If promotion funds distributed in any year exceed the amount collected for that year, the funds distributed in the following year shall be reduced by the excess amount. For harness meetings, 0.5 percent of the

1 total amount handled by each satellite wagering facility shall be
2 distributed to an organization described in Section 19608.2 for the
3 promotion of the program at satellite wagering facilities, and 0.5
4 percent of the total amount handled by each satellite wagering
5 facility shall be distributed according to a written agreement for
6 each race meeting between the licensed racing association and the
7 organization representing the horsemen participating in the
8 meeting. For quarter horse meetings, 0.5 percent of the total amount
9 handled by satellite wagering facility on races run in California
10 shall be distributed to an organization described in Section 19608.2
11 for the promotion of the program at satellite wagering facilities,
12 0.5 percent of the total amount handled by each satellite wagering
13 facility on out-of-state and out-of-country imported races shall be
14 distributed to the official quarter horse registering agency for the
15 purposes of Section 19617.75, and 0.5 percent of the total amount
16 handled by each satellite wagering facility on all races shall be
17 distributed according to a written agreement for each race meeting
18 between the licensed racing association and the organization
19 representing the horseman participating in the meeting.

20 (d) Additionally, for thoroughbred, harness, quarter horse, mixed
21 breed, and fair meetings, 0.33 percent of the total amount handled
22 by the satellite wagering facility shall be paid to the city or county
23 in which the satellite wagering facility is located pursuant to
24 Section 19610.3 or 19610.4.

25 (e) Notwithstanding any other provision of law, a racing
26 association is responsible for the payment of the state license fee
27 as required by this section.